



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
GREENUP COUNTY  
SHERIFF'S TAX SETTLEMENT - 2001 TAXES**

**June 25, 2002**

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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Robert W. Carter, Greenup County Judge/Executive  
Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Greenup County Sheriff's Tax Settlement - 2001 Taxes.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process. Berger & Ross, PLLC, evaluated the Greenup County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE  
GREENUP COUNTY  
SHERIFF'S TAX SETTLEMENT – 2001 TAXES**

**June 25, 2002**

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**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
GREENUP COUNTY  
SHERIFF'S SETTLEMENT - 2001 TAXES**

**June 25, 2002**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2001 Taxes for Greenup County Sheriff as of June 25, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects. However, the audit did reveal three noncompliances which are listed below:

- The Sheriff Should Settle Amounts Owed and Collect Amounts Due
- Interest Earned In The Tax Account Should Be Paid To The School Districts And Sheriff's Fee Account On A Monthly Basis
- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits

**Financial Condition:**

The Sheriff collected net taxes of \$11,128,029 for the districts for 2001 taxes. The Sheriff distributed taxes of \$11,106,370 to the districts for 2001 Taxes. Tax refunds of \$3,100 are due to the Sheriff from the taxing districts and taxes of \$1,435 are due to the districts from the Sheriff.

**Debt Obligations:**

The Sheriff owes \$144, \$93, \$37, and \$60 of interest to his fee account, common school district, Raceland school district, and Russell school district, respectively. The Sheriff owes his fee account \$1,140 for advertising fees.

**Deposits:**

The Sheriff's deposits were not insured and collateralized by bank securities or bonds.

**Subsequent Event:**

None.





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Attention:  
Mr. Paul E. Patton, Governor  
Mr. Kevin Flanery, Secretary  
Mr. Dana Mayton, Secretary  
Mr. Robert W. Carter, Greenup County Judge/Executive  
Mr. Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

## To the People of Kentucky

Honorable Paul E. Patton, Governor  
Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Robert W. Carter, Greenup County Judge/Executive  
Honorable Keith Cooper, Greenup County Sheriff  
Members of the Greenup County Fiscal Court

### Independent Auditor's Report

We have audited the Greenup County Sheriff's Settlement - 2001 Taxes as of June 25, 2002. This tax settlement is the responsibility of the Greenup County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Greenup County Sheriff's taxes charged, credited, and paid as of June 25, 2002, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 10, 2002, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Robert W. Carter, Greenup County Judge/Executive

Honorable Keith Cooper, Greenup County Sheriff

Members of the Greenup County Fiscal Court

(Continued)

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following areas of noncompliance.

- The Sheriff Should Settle Amounts Owed and Collect Amounts Due
- Interest Earned In The Tax Account Should Be Paid To The School Districts And Sheriff's Fee Account On A Monthly Basis
- The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", written in a cursive, flowing style.

Berger & Ross, PLLC

Audit fieldwork completed -  
July 10, 2002

GREENUP COUNTY  
KEITH COOPER, SHERIFF  
SHERIFF'S SETTLEMENT - 2001 TAXES

June 25, 2002

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 860,469	\$ 1,894,290	\$ 5,338,121	\$1,329,810
Tangible Personal Property	95,249	220,436	591,000	483,488
Intangible Personal Property				250,776
Airplanes	2,708		24,291	457
Fire Protection	2,541			
Franchise Corporation	119,423	226,864	750,240	
Undeveloped Oil and Gas	337	344	2,219	520
Additional Bills	5,807	10,389	35,183	8,903
Taxes Increased Through Erroneous Assessment	822	2,919	5,141	1,272
Penalties	7,413	16,392	46,682	11,757
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Gross Chargeable to Sheriff	\$ 1,094,769	\$ 2,371,634	\$ 6,792,877	\$2,086,983
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
 <u>Credits</u>				
Discounts	\$ 12,643	\$ 27,623	\$ 77,466	\$ 29,530
Exonerations	16,164	39,747	99,569	42,639
Delinquents:				
Real Estate	42,280	93,277	267,778	65,136
Tangible Personal Property	3,230	6,813	18,233	9,819
Intangible Personal Property				43
Oil	7	33	48	11
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Credits	\$ 74,324	\$ 167,493	\$ 463,094	\$ 147,178
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Tax Yield	\$ 1,020,445	\$ 2,204,141	\$ 6,329,783	\$1,939,805
Less: Commissions (a)	43,656	93,677	146,084	82,728
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net Taxes Due	\$ 976,789	\$ 2,110,464	\$ 6,183,699	\$1,857,077
Taxes Paid	974,541	2,108,831	6,169,298	1,853,700
Refunds (Current and Prior Year)	2,104	4,733	13,237	3,250
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Due District or (Refund Due Sheriff)		(b)	(c)	
as of Completion of Field Work	\$ 144	\$ (3,100)	\$ 1,164	\$ 127
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

(a), (b), and (c) See Page 4

GREENUP COUNTY  
 KEITH COOPER, SHERIFF  
 SHERIFF'S SETTLEMENT - 2001 TAXES  
 June 25, 2002  
 (Continued)

(a) Commissions

10%	on	\$	10,000
4.25%	on	\$	5,154,391
2.5%	on	\$	3,896,993
2%	on	\$	2,432,790

(b) Special Taxing Districts

Library District	\$	(1,149)
Health District		66
Extension District		(390)
Ambulance District		(901)
South Shore District		(49)
Wurtland Fire District		(102)
Lloyd Fire District		2,857
Load Fire District		(2)
Maloneton Fire District		228
Oldtown Fire District		(42)
Little Sandy Fire District		67
Firebrick Fire District		5
City of South Shore District		(3,498)
City of Greenup District		(227)
City of Raceland District		37

Due Districts or (Refunds Due Sheriff) \$ (3,100)

(c) School Taxing Districts

Common	\$	(81)
Russell		118
Raceland		1,127

Due Districts or (Refunds Due Sheriff) \$ 1,164

The accompanying notes are an integral part of the financial statement.

GREENUP COUNTY  
NOTES TO THE FINANCIAL STATEMENT

June 25, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of November 9, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$4,944,829 of public funds uninsured and unsecured.

GREENUP COUNTY  
NOTES TO THE FINANCIAL STATEMENT  
June 25, 2002  
(Continued)

Note 2. Deposits (Continued)

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of November 9, 2001.

	<u>November 9, 2001</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 2,350,000
FDIC Coverge	100,000
Uncollateralized and unsecured	<u>4,944,829</u>
Total	\$ <u>7,394,829</u>

Note 3. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2001. Property taxes were billed to finance governmental services for the year ended June 30, 2002. Liens are effective when the tax bills become delinquent. The collection period for these assessments was September 24, 2001 through June 25, 2002.

Note 4. Interest Income

The Greenup County Sheriff earned \$13,602 as interest income on the 2001 taxes. The Sheriff did not distribute the appropriate amount to the school districts and the fee account nor were all monthly distributions made as required by statute. As of June 25, 2002, the Sheriff owes \$190 in interest to school districts and \$144 in interest to his fee account to operate the Sheriff's office.

Note 5. Sheriff's 10% Add-On Fee

The Greenup County Sheriff collected \$66,316 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Cost and Fees

The Greenup County Sheriff collected \$1,140 in advertising costs and fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff did not pay his fee account for these amounts. As of June 25, 2002, the Sheriff owes his fee account \$1,140 for advertising fees and costs.



## COMMENTS AND RECOMMENDATIONS



GREENUP COUNTY  
KEITH COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS

June 25, 2002

STATE LAWS AND REGULATIONS:

1. The Sheriff Should Settle Amount Owed And Collect Amounts Due

The Sheriff should collect amounts owed (due sheriff) and pay the taxing district the amount owed as follows:

County	\$ 144
State	127
Library	(1,149)
Ambulance	(901)
Health	66
South Shore Fire District	(49)
Common School	(81)
Oldtown Fire District	(42)
Little Sandy Fire District	67
Russell School	118
Raceland School	1,127
Wurtland Fire District	(102)
Lloyd Fire District	2,857
Load Fire District	(2)
Maloneton Fire District	228
Firebrick Fire District	5
City of South Shore	(3,498)
City of Greenup	(227)
City of Raceland	37
Extension	(390)

We recommend these amounts be paid and refunds collected as soon as possible.

*Sheriff's Response:*

*Will contact appropriate agencies.*

2. Interest Earned In The Tax Account Should Be Paid To The School Districts and The Sheriff's Fee Account On a Monthly Basis

The Sheriff earned interest in his tax account but did not remit all monthly payments to the school districts and his fee account as required by KRS 134.140(3)(b). KRS 134.140(3)(b) states "at the time of the Sheriff's monthly distribution of taxes to the district board of education, the Sheriff shall pay to the board of education that part of his investment earnings for the month which is attributable to the investment of school taxes". The Sheriff did pay interest to the schools for certain months but failed to pay for other months. The Sheriff owes an additional \$94 to the Greenup County School District, \$37 to the Raceland School District, and \$60 to the Russell School District. The Sheriff also owes the Sheriff's fee account \$144 in interest. We recommend the Sheriff remit payment to the school districts and his fee account for the above amounts.

*Sheriff's response:*

*Will remit.*

GREENUP COUNTY  
KEITH COOPER, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
June 25, 2002  
(Continued)

3. The Sheriff Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On November 9, 2001, \$4,944,829 of the County Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits or public funds at all times.

*Sheriff's Response:*

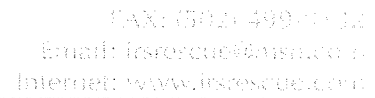
*Taken care of.*

Prior Year:

- Interest Earned In The Tax Account Should Be Paid To The School Districts and Sheriff's Fee Account On A Monthly Basis.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





## To the People of Kentucky

Honorable Paul E. Patton, Governor

Kevin Flanery, Secretary

## Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Robert W. Carter, Greenup County Judge/Executive

Honorable Keith Cooper, Greenup County Sheriff

## Members of the Greenup County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Greenup County Sheriff's Settlement - 2001 Taxes as of June 25, 2002, and have issued our report thereon dated July 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the Greenup County Sheriff's Settlement - 2001 Taxes as of June 25, 2002 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Sheriff Should Settle Amounts Owed and Collect Amounts Due
- Interest Earned In The Tax Account Should Be Paid To The School Districts And Sheriff's Fee Account On A Monthly Basis
- The Sheriff Should Require The Depository Institution To Pledge Sufficient Collateral To Protect Deposits

## Internal Control over Financial Reporting

In planning and performing our audit, we considered the Greenup County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

Report on Compliance And On Internal Control Over Financial Reporting  
Based On An Audit Of The Financial Statement Performed In Accordance  
With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be disclosed within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, and is not intended to be and should not be used by anyone other than the specified party.

Respectfully Submitted

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –  
July 10, 2002



